

Fairfax County Economic Index

Volume II, Number 1

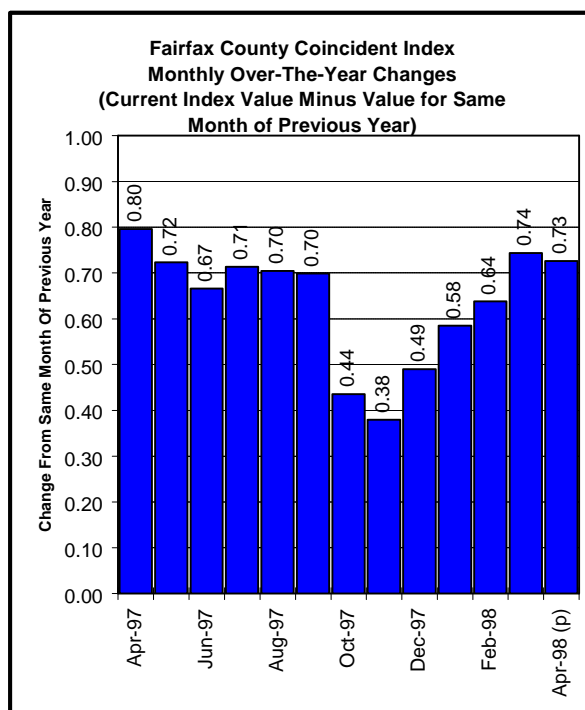
JUNE 1998

Economy Accelerates In April Outlook Continues Good For 1998

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased 0.13 percent in April, extending its positive trend to a sixth month. The Index's last negative month was in October 1997 and since that time it has increased 0.63 points. This six-month gain has widened the gap between the Index's monthly performance and its 12-month moving average and reflects the economy's accelerating growth. In April, all four of the Index's components were positive for a second consecutive month for the first time since the Index was created.

- Total employment gained for the seventh consecutive month;
- Transient Occupancy Tax collections increased for the sixth month;
- Consumer confidence increased for a third month; and
- Sales tax receipts increased for a second month.

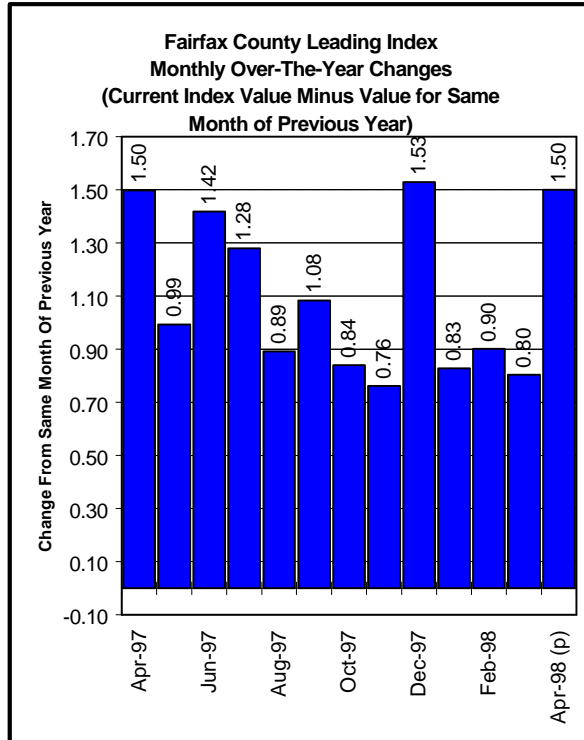
The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy 9 to 12 months in advance, had its largest one-month gain since the Index was first calculated, increasing 0.96 percent. This sharp increase in the Index reversed a slight two-month decline. While the Index has been up and down six times over the past year, it still has maintained an overall positive trend. For the past 12 months, it



Source: GMU Center for Regional Analysis.

has gained 1.44 percent. April's strong increase reflects positive performances in four of its five components.

- New automobile registrations rebounded sharply after declining for the year's first three months;
- Initial claims for unemployment insurance decreased sharply (improved) after growing (worsening) for the previous two months;



Source: GMU Center for Regional Analysis.

- Consumer expectations (consumer confidence six months hence) increased erasing March's decline and now stands at its highest level since the 1990-1991 recession; and
- The mean value of residential building permits grew for the first time in three months; but
- Residential building permits declined after growing for two months.

CURRENT CONDITIONS

The Fairfax County economy has sustained an accelerating growth trend for six months following a short slowdown during September and October 1997. With April's gain, the County's economy is again performing at a level parallel to its previous peak during the spring and summer of 1997 and its growth now is more balanced than last year. Sustaining last month's positive performance for all four of the Index's components for a second month is a strong indication of the economy's current health and strong foundation.

Recently revised and extended employment data for the County revealed that it has been generating new jobs at a faster rate than had been previously reported. April's revised data show the County's annual growth to be 4.42 percent, repre-

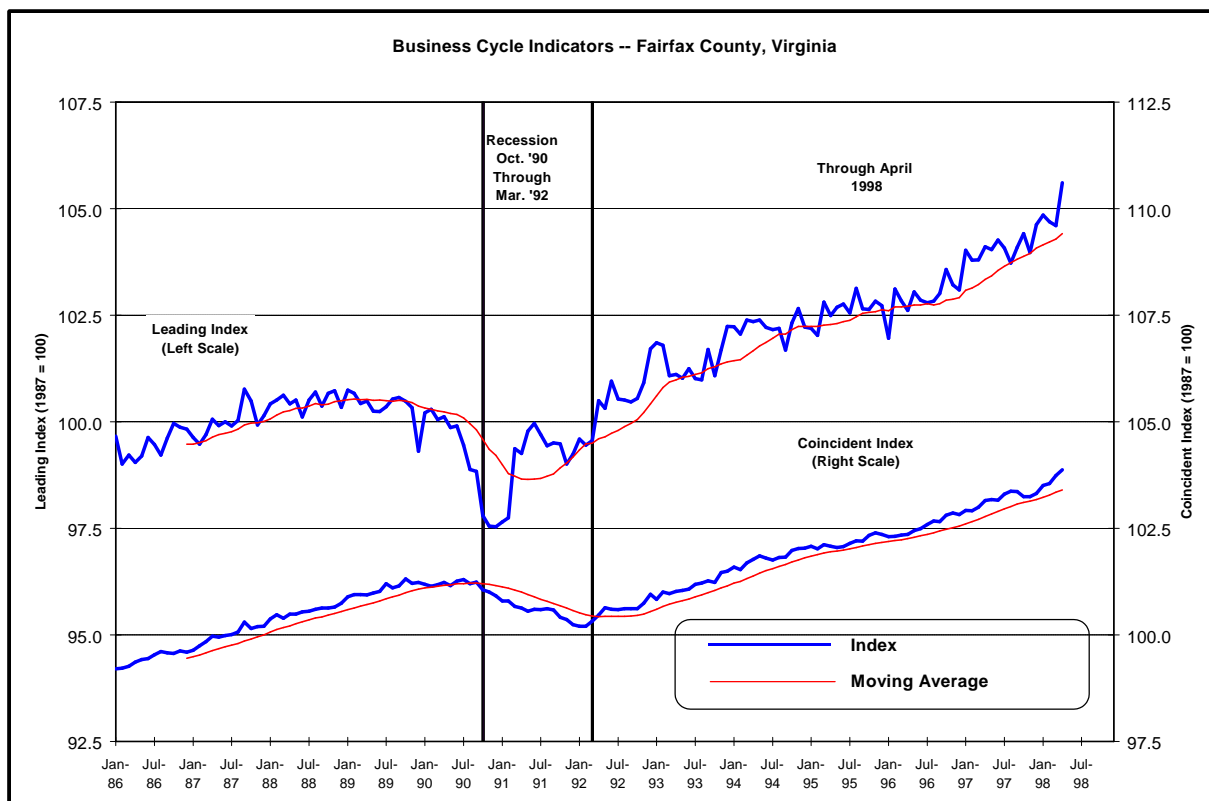
senting a net gain of 19,831 new jobs. These job gains accounted for 36.6 percent of the metropolitan area's 54,100 net new jobs in April, making Fairfax County, with 21 percent of the region's population, the largest source of new jobs of any local jurisdiction in the Washington area.

A recent study on federal procurement spending in the Washington area, published by the Greater Washington Research Center, illustrated the linkage between Northern Virginia's strong economic performance and its growth of federal procurement dollars. Federal procurement spending has been very important to Fairfax County's economy. Over the 15-year period from 1983 through 1997, federal procurement spending in the County increased from \$1.4 to \$8.1 billion, a gain of almost 500 percent. In Montgomery County (MD), federal procurement spending increased from \$2.0 to \$3.2 billion, a gain of just 56 percent. Over the same period, Fairfax County's economy (gross county product) grew 107.4 percent; in comparison, Montgomery County's economy gained only 68.7 percent over the same period.

While federal procurement spending continues to fuel the economy's growth, other non-federal segments of the economy are also performing strongly. So far this year, the hospitality industry is having its best year of the decade. Receipts are up 23 percent from a year ago and, in each month now since last October, hotel receipts have exceeded same-month levels from the previous year.

Retail sales were also strong, up 13.5 percent from April 1997; nationally they were up 6.9 percent. And, with consumer confidence growing every month since January, market conditions are favorable for consumer spending to grow further.

In contrast to this positive retail sales trend, automobile sales have been trending downward for almost a year and have been down in each of the year's first three months. However, April's automobile sales exceeded sales in March by 45.7 percent and were also 15.6 percent higher than last April. With consumer spending running well ahead of last year's level, automobile sales will become increasingly important to the County's strong economic performance.



Source: GMU Center for Regional Analysis.

The decline in residential building permits would appear to be running counter to the economy's other strong positive signals. But, housing sales started the year very fast, and even with some recent moderation in new housing sales, Northern Virginia's sales through four months, are still running ahead of last year's levels by 39.4 percent. These strong beginning-of-the-year sales are expected to result in lower demand later in the year, and, combined with the possible increase in interest rates, have resulted in fewer building permits being taken out for near-term projects.

NEAR-TERM OUTLOOK

The Leading Index has been holding at a relatively constant rate of gain, on a monthly over-the-year basis, dating back a full year. But, there have been two monthly exceptions to this pattern: in December 1997, the Index increased 1.53 percent, and in April 1998, it gained 1.50 percent. These spikes in the Index's performance are not predicting a major spurt in the

economy's performance in nine to 12 months. Rather, the Index's long-term trend suggests that the County's economy will continue to grow at current rates over the remainder of the year.

However, these spikes in the Index's performance do illustrate the underlying strength in the local economy. Under favorable conditions, the economy's more volatile indicators can expand sharply driving the Index's value substantially higher than the normal monthly gains. In April, with all sectors participating in the economy's gains, the demand for labor drove unemployment down to the lowest level this decade, and, in response, initial claims for unemployment insurance dropped 17 percent from March and were almost 25 percent below last April's level. Also, stronger consumer expectations have helped to ignite automobile sales which had lagged during the first quarter. This increase in consumer spending had a positive impact on the economy's performance in April and these favorable market conditions should help support the economy's growth through at least the end of the year.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Apr-98 Prelim.	Mar-98 Final	Apr-97 Final	Mar-98 to Apr-98	Apr-97 to Apr-98
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	103.87	103.74	103.15	0.13	0.70
Leading Index (1987 = 100)	105.61	104.60	104.11	0.96	1.44
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	468,293	466,557	448,462	0.37	4.42
<i>Total Covered Employment (Unadjusted)</i>	<i>464,565</i>	<i>463,800</i>	<i>444,892</i>	<i>0.16</i>	<i>4.42</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	341.7	314.8	277.3	8.55	23.21
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>471.6</i>	<i>437.3</i>	<i>371.4</i>	<i>7.84</i>	<i>26.99</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	7,967.1	7,832.3	7,019.2	1.72	13.50
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>9,544.8</i>	<i>8,978.5</i>	<i>8,641.1</i>	<i>6.31</i>	<i>10.46</i>
South Atlantic Consumer Confidence	173.4	172.9	155.5	0.29	11.51
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	6,589	4,524	5,702	45.66	15.55
<i>Automobile Registrations (Unadjusted)</i>	<i>6,478</i>	<i>4,597</i>	<i>5,606</i>	<i>40.92</i>	<i>15.55</i>
Initial Unemployment Claims (Seasonally Adjusted)	631	760	840	-17.03	-24.88
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>625</i>	<i>833</i>	<i>832</i>	<i>-24.97</i>	<i>-24.88</i>
South Atlantic Consumer Expectations	119.8	113.9	106.9	5.18	12.07
Residential Building Permits (Number of Units, Seasonally Adjusted)	518	900	557	-42.37	-6.88
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>541</i>	<i>1,081</i>	<i>581</i>	<i>-49.95</i>	<i>-6.88</i>
Average Residential Building Permit Value (\$='87 Per Unit, Seasonally Adjusted)	80,987	56,859	76,301	42.43	6.14
<i>Average Residential Building Permit Value (\$=Current Per Unit, Unadjusted)</i>	<i>114,523</i>	<i>74,023</i>	<i>105,814</i>	<i>54.71</i>	<i>8.23</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	533,791	535,666	527,981	-0.35	1.10
<i>Total Labor Force (Unadjusted)</i>	<i>532,937</i>	<i>533,009</i>	<i>527,136</i>	<i>-0.01</i>	<i>1.10</i>
Unemployment Rate (Percent, Seasonally Adjusted)	1.38	1.68	2.47	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>1.27</i>	<i>1.60</i>	<i>2.28</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Average Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

Inquiries should be directed to:

The Fairfax County
Office of Management and Budget
12000 Government Center Parkway, Suite 561
Fairfax, Virginia 22035-0074

(703) 324-2391 or 1-800-828-1120 (TDY)

We are on the web at:
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